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FISCAL IMPACT STATEMENT

LS 7315

BILL NUMBER: HB 1373

NOTE PREPARED: Jan 12, 2013

BILL AMENDED:

SUBJECT: Business Rapid Response to Disaster Emergencies.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Department of State Revenue (DOR) to establish a procedure by which out-of-state businesses and employees may apply for exemptions from taxation and other requirements for disaster-related work performed during a disaster period. It requires the DOR to consult and coordinate with the various state and local agencies in establishing certain procedures.

Effective Date: July 1, 2013.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill requires the DOR to coordinate the implementation of this program. It requires the DOR to establish a process for out-of-state businesses to apply for exemptions from state and local taxation during the time they are assisting in the recovery after a disaster. The DOR may find it necessary to work with other state and local agencies to implement this program. While the bill's requirements represent an additional workload on the agency outside of their routine functions, it may be possible to implement it with their current level of staff and resources. The program would not require constant monitoring and administration. It would only be utilized in the event of a disaster which should seldom occur.

Explanation of State Revenues: *Summary* - This bill would reduce state revenue by an indeterminable amount. It provides that out-of-state businesses and employees would be exempt from state taxes as long as their activities are directly contributing to the recovery of a declared disaster. The revenue forgone depends on the duration of the disaster period and the amount of assistance provided by out-of-state response teams. However, the net impact of the bill may be minimal because the out-of-state response teams would not otherwise be in Indiana incurring tax liability without a disaster occurring, and the additional assistance

shortens a community's recover time.

Additional Information - This bill exempts both out-of-state businesses and employees from state taxes if they are in Indiana performing disaster emergency related work. The exemptions are in effect from 10 days prior to the disaster declaration to 60 days after the disaster emergency ends. The bill defines disaster emergency related work as repairing, renovating, installing, building, or rendering services related to the infrastructure that is damaged by an event that caused the disaster to be declared.

A qualifying out-of-state business would be exempt from any state tax, state fees, worker's compensation insurance, and employer contribution to unemployment compensation. A qualified employee would be exempt from the adjusted gross income tax and withholding taxes. In addition, both a business and an employee would be exempt from sales tax, motor fuel taxes, and vehicle excise taxes for any transaction directly related to disaster emergency recovery work

Utilities have agreements with other utility companies to provide support in times of emergency. National Grid's public emergency response report provides estimates on the manpower that may be called to upon to respond to various levels of emergencies. They report that a major impact event where over 113,700 customers are without service and with 250 - 500 lines of trouble, they may call upon 100 - 500 outside contractors and an equal number of additional tree crews. The report states these events only happen once every 1 - 3 years. Indiana utilities also have similar plans. For example, Indianapolis Power & Light Company (IPL) has agreements in place to mobilize additional resources to deal with a disaster event.

The precise estimate for this bill is not feasible. There are too many factors to be considered. As a benchmark, utility companies use a cost of \$115 per hour for each response crew member to estimate the expense of a response. Approximately 20% of that cost is non-labor expenses such as equipment, fuel, and materials needed for repairs. The tax imposed on out-of-state response crews varies depending the how utility companies structure their agreements.

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill exempts out-of-state businesses and employees from locally imposed taxes and fees will performing disaster recovery related work during a disaster period. The local revenue implications is indeterminable. It is unknown whether a locality will lose more revenue from prolonged impaired infrastructure than exempting taxes and fees on out-of-state response teams.

State Agencies Affected: Department of State Revenue; Indiana Professional Licensing Agency; Worker's Compensation Board; Unemployment Insurance Board; Other State Agencies as Needed.

Local Agencies Affected: Local units directly involved in the disaster recovery area.

Information Sources: National Grid, Emergency Response Plan - New England, 5/15/ 2012.; Fred Mills, IPL Director of Government Affairs.

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